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**STATE OF MONTANA**  
**MILES COMMUNITY COLLEGE**  
**REPORT ON AUDIT**  
**FISCAL YEARS ENDED JUNE 30, 1997 AND 1998**

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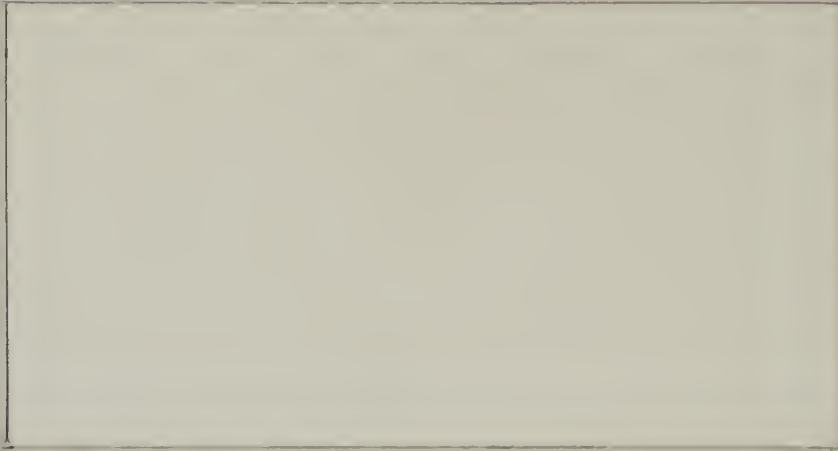
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STATE OF MONTANA

MILES COMMUNITY COLLEGE  
REPORT ON AUDIT

FISCAL YEARS ENDED JUNE 30, 1997 AND 1998

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C H M S, P.C.  
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December 1998

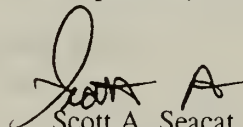
The Legislative Audit Committee  
of the Montana State Legislature:


Enclosed is the report on the audit of Miles Community College for the two fiscal years ended June 30, 1998.

The audit was conducted by CHMS under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

  
Scott A. Seacat  
Legislative Auditor



98C-06



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
JUNE 30, 1997 AND 1998**

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**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
JUNE 30, 1997 AND 1998**

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**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA**

**APPOINTIVE AND ADMINISTRATIVE OFFICIALS**

**Montana Board of Regents of Higher Education**

Marc Racicot	Governor
Richard Crofts	Commissioner of Higher Education
Nancy Keenan	Superintendent of Public Instruction
James Kaze	Chairman
Ed Jasmin	Regent
Richard Roehm	Regent
Patrick P. Davison	Regent
Margie Thompson	Regent
L. Colleen Conroy	Regent
Kim Cunningham	Student Regent

**Miles Community College Board of Trustees**

1997	1998
James Lucas	James Lucas
Tom Albers	Tom Albers
Eileen Carlson	Jan Wagner
Scott Tally	Scott Tally
Sharon Wilcox	Sharon Wilcox
Bill Bickle	Bill Bickle
Mark Griffith	Mark Griffith

**Administration**

Frank Williams	President
W. Wayne Muri	Business Manager
Dale E. Oberlander	Academic and Student Services



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA**

**GENERAL**

We performed a financial/compliance audit of Miles Community College for the fiscal years ended June 30, 1997 and 1998. The objectives of our audit were to: (1) determine if the financial statements of the college present fairly its financial position and results of operation for the fiscal years then ended; (2) determine if the college complied with applicable state and federal laws and regulations; (3) make recommendations for the improvement of management and internal controls; and (4) determine whether prior audit recommendations have been effectively implemented.

Thank you to the Miles Community College staff for their cooperation and assistance during the audit.

**BACKGROUND**

Miles Community College at Miles City, Montana was founded in 1939 under authority of legislation enacted by the Montana Legislature Assembly earlier that same year. For almost twenty years the college, then titled Custer County Junior College, operated out of a few rooms in the local public high school. In 1957 the college moved into the former Milwaukee RR Depot Building. The new building is located on the present campus sight.

A resolution passed by the joint College-High School Board in January, 1970, established an independent junior college district. On April 4, 1970, voters of the district elected the first independent Board of Trustees for the College. During academic year 1971-72 the college purchased a Vo-Tech building adjacent to the campus, and completed construction of a new Student Center.

In December 1971, Miles Community College was granted full accreditation by the Northwest Association of Schools and Colleges. The fifth year review by the Northwest Association continued the full accreditation of the College and reaffirmed the quality of the program, thereby insuring the easy transfer of credits to other colleges.

A grant of 1.5 million dollars from the Montana Coal Board in 1977 enabled the College to construct a new vocation building and library-classroom addition.

Construction of a physical recreation complex was completed in November 1980. This facility includes a large gymnasium, four racquetball/handball courts, and an exercise deck with weight machines.

The college has access to a 46 unit co-ed dormitory which was ready for occupancy in the Fall of 1981.





**MILES COMMUNITY COLLEGE  
YEARS ENDED JUNE 30, 1997 AND 1998**

**FINDING #1 - SEGREGATION OF DUTIES**

Due to the small size of the entity, there is an absence of segregation of duties appropriate for a strong system of internal control. The College has implemented compensating controls to the extent practical, and we are not recommending further action at this time. However, we believe the Trustees should be aware that the condition results in a greater risk of errors occurring and not being detected within a timely manner, than would be the case if duties were appropriately segregated.

**Recommendation**

No further action required at this time.

**Response**

This finding results from low staffing levels. The College is aware of the situation.

**FINDING #2 - NON-BUDGETED FUNDS EXPENDITURE LIMITATIONS**

The college has a number of individual non-budgeted funds with deficit cash balances. According to Section 20-9-210, M.C.A., the expenditures for a non-budgeted fund is limited to the cash balance. There is no definition for non-budgeted funds of community colleges in the Montana Code Annotated.

**Recommendation**

The college should request an attorney general opinion on whether this law is applicable to community colleges. If in fact this law does apply to community colleges, a request for a clear definition relating to non-budgeted funds for a community college should be made. For those funds defined as non-budgeted funds, expenditures should be limited to the amount of cash available.

**Response**

We will request our local County Attorney to research this matter and then to request a definition as to what constitutes a "non-budgeted fund" from the Attorney General's office. If, in fact, we do have non-budgeted funds we will make every effort to comply with this finding.

**FINDING #3 - SALE OF PROPERTY**

The resolution required by Section 20-6-604, M.C.A., relating to procedures required for the sale of property was not adhered to. A public notice was given, but an official resolution was never documented.





**MILES COMMUNITY COLLEGE  
YEARS ENDED JUNE 30, 1997 AND 1998**

**FINDING #3 - SALE OF PROPERTY (CONTINUED)**

**Recommendation**

The college should follow the requirements of Section 20-6-604, M.C.A., any time property is being sold. This requires that a notice be given of the resolution in the manner required by Section 20-20-204, M.C.A., and the resolution should contain a statement that the property is, or is about to become abandoned, obsolete, undesirable, or unsuitable for the purpose of the college. The resolution does not become effective until 14 days after the notice is published in a newspaper of general circulation, during which time any taxpayer may appeal the resolution.

**Response**

We will comply with the requirements of Section 20-6-604, M.C.A. when any property is disposed of in the future.

**FINDING #4 - NURSING STUDENT LOAN (NSL) PROGRAM DELINQUENCY**

The college is no longer making loans under the NSL program. However, the delinquency rate for the NSL program is still in excess of the 5% allowed by Health and Human Services Guidelines.

**Recommendation**

We recommend that the college continue its collection efforts.

**Response**

We are continuing our collection efforts. Our current delinquency rate of 5.77% (10/31/98) represents \$5,585 of the \$96,677 amount loaned and 12 individuals of the total of 161 students who benefited from this program.

**FINDING # 5 - ACCOUNTING FOR MATCHING REQUIREMENTS**

The College has a number of federal grants that are accounted for in separate funds. Many of these grants have a matching requirement, and not all of the matching expenditures are accounted for in within the same fund as the federal grant. In-kind matching requirements have not been recorded in the financial statements as required by generally accepted accounting principles.

**Recommendation**

The College has met all of the matching requirements, however, for increased controls over the federal matching requirements. The college should record all in-kind matching amounts and record the expenditures used for matching in the same fund that the federal expenditures are recorded. Accounting for the federal grants and matching expenditures in the same fund will allow the federal financial reports to be reconciled more consistently to the general ledger.



**MILES COMMUNITY COLLEGE  
YEARS ENDED JUNE 30, 1997 AND 1998**

**FINDING # 5 - ACCOUNTING FOR MATCHING REQUIREMENTS(CONTINUED)**

**Response**

The College is taking steps to comply with this finding. We will be in compliance for the next audit.

**FTE COUNTS**

A major funding criterion for the College is the number of full-time equivalent (FTE) students registered. FTEs are computed in accordance with guidelines published by the Commissioner of Higher Education. We reviewed the FTE counts reported by the College for fiscal years 1997 and 1998 for compliance with the published guidelines and accuracy. We found no exceptions for Miles Community College.

**PRIOR YEARS' RECOMMENDATIONS**

A summary of the recommendations from fiscal years June 30, 1995 and 1996 is as follows:

<u>Finding</u>	<u>Status</u>
Finding #1 - Segregation of Duties	N/A - See Finding #1
Finding #2 - NSL Program	Not Implemented - Finding #2
Finding #3 - Student Financial Aid Files	Implemented
Finding #4 - Political Activity Policy	Implemented
Finding #5 - Procurement Policy	Implemented
Finding #6 - Allowance for Delinquent Accounts	Implemented







**CHMS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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Sidney, Montana 59270  
406-482-2092  
1-800-676-2467  
FAX 406-482-2095

## INDEPENDENT AUDITOR'S REPORT

Legislative Audit Committee  
of the Montana State Legislature

We have audited the financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1997 and 1998, as listed in the accompanying table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miles Community College, Miles City, Montana, as of June 30, 1997 and 1998, and the results of its operations and cash flows for its auxiliary funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 4, 1998, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 23-26 is presented for purposes of additional analysis. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This information is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*CHMS, P.C.*  
CHMS, P.C.  
Certified Public Accountants

September 4, 1998



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
BALANCE SHEET  
JUNE 30, 1997**

	CURRENT FUNDS							INVESTMENT IN PLANT
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	
<b>ASSETS</b>								
Cash on Hand and in Bank (Note C)	\$ 3,900	\$ ---	\$ 4,110	\$ 2,472	\$ ---	\$ ---	\$ ---	\$ ---
Cash on Deposit with County Treasurer (Note C)	63,681	---	(79,495)	1,288	15,142	(11,555)	25,056	---
Receivables:								
Taxes Receivable	55,834	---	---	---	---	---	---	---
Grant Receivable	---	125,484	---	---	---	---	---	---
Student Loan Receivable	---	---	---	79,344	---	---	---	---
Accounts Receivable	13,652	18,600	3,042	---	---	---	---	---
Total Receivables	69,486	144,084	3,042	79,344	---	---	---	---
Prepaid Expenses	11,067	---	---	---	---	---	---	---
Inventories	---	---	23,336	---	---	---	---	---
Due From Other Funds	70,136	---	---	---	---	---	---	---
Assets Held For Sale	---	---	91,067	---	---	---	---	---
Property, Plant and Equipment (Note D):								
Land	---	---	---	---	---	---	---	212,048
Buildings and Improvements	---	---	---	---	---	---	---	4,307,060
Equipment	---	---	---	---	---	---	---	2,100,528
Total Property, Plant, and Equipment	---	---	---	---	---	---	---	6,619,636
<b>TOTAL ASSETS</b>	<b>\$ 218,270</b>	<b>\$ 144,084</b>	<b>\$ 42,060</b>	<b>\$ 83,104</b>	<b>\$ 15,142</b>	<b>\$ (11,555)</b>	<b>\$ 25,056</b>	<b>\$ 6,619,636</b>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities</b>								
Accounts Payable and Accrued								
Liabilities	\$ 102,109	\$ 45,336	\$ 11,610	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	---	70,136	---	---	---	---	---	---
Due to Student Organizations	---	---	---	---	15,142	---	---	---
Compensated Absences (Note F)	140,325	---	---	---	---	---	---	---
Mortgage Payable (Note E)	---	---	---	---	---	---	---	725,666
Total Liabilities	242,434	115,472	11,610	---	15,142	---	---	725,666
Fund Balance								
Unrestricted	(24,164)	---	30,450	---	---	(11,555)	25,056	5,893,970
Temporarily Restricted	---	28,612	---	83,104	---	---	---	---
Total Fund Balance	(24,164)	28,612	30,450	83,104	---	(11,555)	25,056	5,893,970
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 218,270</b>	<b>\$ 144,084</b>	<b>\$ 42,060</b>	<b>\$ 83,104</b>	<b>\$ 15,142</b>	<b>\$ (11,555)</b>	<b>\$ 25,056</b>	<b>\$ 6,619,636</b>

See notes to the financial statements.





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1997**

	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
<b>REVENUE AND OTHER ADDITIONS</b>							
Tuition and Fees	\$ 780,204	\$ 1,835	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
State Appropriations	1,327,530	3,121	---	---	---	---	---
Institution Contributions	653,241	17,897	---	---	---	---	---
Federal Grants	---	1,412,829	---	---	---	---	---
State Grants	---	77,470	---	---	---	---	---
Private Gifts and Grants	---	30,324	750	---	57,307	---	---
Restricted Student Fees	---	---	---	---	---	48,871	---
Other Income	509,933	126,701	1,000	1,889	---	---	---
Sales and Services of Auxiliary Enterprises	---	---	368,616	---	281,282	---	---
Interim Note Proceeds	---	---	---	---	---	---	954,932
Expended for Plant Facilities	---	---	---	---	---	---	59,021
Retirement of Indebtedness	---	---	---	---	---	---	---
Total Revenues and Other Additions	3,270,908	1,670,177	370,366	1,889	338,589	48,871	1,013,953
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>							
Education and General Expenditures							
Instruction	1,248,071	473,014	---	4,802	---	---	---
Public Service	36,874	1,818	---	---	---	---	---
Academic Support	299,760	354,561	---	---	---	---	---
Student Services	794,178	856,627	---	---	---	---	---
Institutional Support	442,345	---	---	---	---	---	---
Scholarships and Fellowships	168,236	---	---	---	---	---	---
Operation and Maintenance of Plant	246,391	---	---	---	---	---	---
Auxiliary Enterprise Expenses	---	---	415,990	---	---	---	---
Retirement of Indebtedness	---	---	---	---	---	59,021	---
Proceeds from Interim Financing	---	---	---	---	---	---	303,582
Expended for Plant Facilities	---	---	---	---	352,889	---	---
Interest on Indebtedness	---	---	---	---	1,007	3,515	---
Total Expenditures and other Deductions	3,235,855	1,686,020	415,990	4,802	353,896	62,536	303,582
Nonmandatory Transfers Between Funds	(40,893)	---	40,893	---	---	---	---
Net Increase (Decrease) in Fund Balance	(5,840)	(15,843)	(4,731)	(2,913)	(15,307)	(13,665)	710,371
Fund Balance, Beginning of Year	35,179	44,455	35,181	86,017	3,752	38,721	5,183,599
Prior Period Adjustment (Note J)	(53,503)	---	---	---	---	---	---
Fund Balance, End of Year	\$ (24,164)	\$ 28,612	\$ 30,450	\$ 83,104	\$ (11,555)	\$ 25,056	\$ 5,893,970

See notes to the financial statements.



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1997**

	CURRENT FUNDS		
	Unrestricted	Restricted	Total
<b>Revenues</b>			
Tuition and Fees	\$ 780,204	\$ 1,835	\$ 782,039
State Appropriations	1,327,530	3,121	1,330,651
Institution Contributions	653,241	17,897	671,138
Federal Grants and Contracts	---	1,412,829	1,412,829
State Grants and Contracts	---	77,470	77,470
Private Gifts, Grants, and Contracts	750	30,324	31,074
Sales and Services of Auxiliary Enterprises	368,616	---	368,616
Other Sources	510,933	126,701	637,634
Total Current Revenues	<u>3,641,274</u>	<u>1,670,176</u>	<u>5,311,450</u>
<b>Expenditures and Mandatory Transfers</b>			
Education and General:			
Instruction	1,248,071	473,014	1,721,085
Public Service	36,874	1,818	38,692
Academic Support	299,760	354,561	654,321
Student Services	794,178	856,627	1,650,805
Institutional Support	442,345	---	442,345
Scholarships and Fellowships	168,236	---	168,236
Operation and Maintenance of Plant	246,391	---	246,391
Total Educational and General Expenditures	<u>3,235,856</u>	<u>1,686,020</u>	<u>4,921,876</u>
<b>Auxiliary Enterprises</b>			
Expenditures	<u>415,990</u>	<u>---</u>	<u>415,990</u>
Total Expenditures and Mandatory Transfers	<u>3,651,845</u>	<u>1,686,020</u>	<u>5,337,865</u>
<b>Prior Period Adjustment (Note J)</b>	<u>(53,503)</u>	<u>---</u>	<u>(53,503)</u>
Net (Decrease) in Fund Balances	<u>\$ (64,074)</u>	<u>\$ (15,843)</u>	<u>\$ (79,918)</u>

See notes to the financial statements.



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
STATEMENT OF CASH FLOWS - AUXILIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

**CASH FLOWS FROM OPERATING ACTIVITIES**

(Decrease) in Fund Balance	\$ (4,731)
----------------------------	------------

**Changes in assets and liabilities**

(Increase) Decrease in Accounts Receivable	(2,024)
(Increase) Decrease in Inventory	(4,130)
(Increase) Decrease in Assets Held For Sale	(91,067)
Increase (Decrease) in Accounts Payable	3,789
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<u>(98,163)</u>

Net (Decrease) in Cash and Cash Equivalents	(98,163)
---	----------

Cash and Cash Equivalents, Beginning of Year	<u>22,778</u>
--	---------------

Cash and Cash Equivalents, End of Year	\$ <u><u>(75,385)</u></u>
--	---------------------------

Reconciliation fo the Balance Sheet

Auxiliary Funds:

Cash on Hand and in Bank	\$ 4,110
Cash on Deposit with County Treasurer	<u>(79,495)</u>
Total Cash	\$ <u><u>(75,385)</u></u>

See notes to the financial statements.





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
BALANCE SHEET  
JUNE 30, 1998**

	CURRENT FUNDS			STUDENT		PLANT FUNDS		
	GENERAL OPERATING	UNRESTRICTED RESTRICTED	AUXILIARY FUNDS	LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
<b>ASSETS</b>								
Cash on Hand and in Bank (Note C)	\$ 6,375	\$ ---	\$ 5,140	\$ 4,124	\$ ---	\$ ---	\$ ---	\$ ---
Cash on Deposit with County Treasurer (Note C)	95,105	16,041	(68,099)	1,623	23,460	---	27,503	---
Cash Reserve - FHA Loan	---	---	1,594	---	---	---	---	---
Receivables:								
Taxes Receivable	78,462	---	---	---	---	---	---	---
Grant Receivable	---	32,186	---	---	---	---	---	---
Student Loan Receivable	---	---	---	78,364	---	---	---	---
Stafford Loans Receivable	---	1,682	---	---	---	---	---	---
Accounts Receivable	13,822	3,849	939	---	---	---	---	---
Total Receivables	92,284	37,717	939	78,364	---	---	---	---
Prepaid Expenses	11,067	---	---	---	---	---	---	---
Inventories	---	---	24,494	---	---	---	---	---
Due From Other Funds	---	876	---	---	---	---	---	---
Assets Held For Sale	---	---	39,966	---	---	---	---	---
Property, Plant and Equipment (Note D):								
Land	---	---	---	---	---	---	---	212,048
Buildings and Improvements	---	---	---	---	---	---	---	4,770,773
Equipment	---	---	---	---	---	---	---	2,245,174
Total Property, Plant, and Equipment	---	---	---	---	---	---	---	7,227,995
<b>TOTAL ASSETS</b>	<b>\$ 204,831</b>	<b>\$ 54,634</b>	<b>\$ 4,034</b>	<b>\$ 84,111</b>	<b>\$ 23,460</b>	<b>\$ ---</b>	<b>\$ 27,503</b>	<b>\$ 7,227,995</b>
<b>LIABILITIES AND NET ASSETS</b>								
Liabilities								
Accounts Payable and Accrued	\$ 83,746	\$ 27,366	\$ 17,223	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Liabilities	---	---	---	---	23,460	---	---	---
Due to Student Organizations	---	---	---	---	---	---	---	---
Due to Other Funds	876	---	---	---	---	---	---	---
Compensated Absences (Note F)	143,134	20,500	---	---	---	---	---	---
Mortgage Payable (Note E)	---	---	---	---	---	---	---	1,179,910
Total Liabilities	227,756	47,866	17,223	---	23,460	---	---	1,179,910
Fund Balance								
Unrestricted	(22,925)	---	(13,189)	---	---	---	27,503	6,048,085
Temporarily Restricted	---	6,768	---	84,111	---	---	---	---
Total Fund Balance	(22,925)	6,768	(13,189)	84,111	---	---	27,503	6,048,085
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 204,831</b>	<b>\$ 54,634</b>	<b>\$ 4,034</b>	<b>\$ 84,111</b>	<b>\$ 23,460</b>	<b>\$ ---</b>	<b>\$ 27,503</b>	<b>\$ 7,227,995</b>

See notes to the financial statements.





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1998**

	CURRENT FUNDS			STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	PLANT FUNDS	
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS			RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
<b>REVENUE AND OTHER ADDITIONS</b>							
Tuition and Fees	\$ 643,710	\$ 2,675	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
State Appropriations	1,183,450	1,400	---	---	---	---	---
Institution Contributions	741,688	16,841	---	---	---	---	---
Federal Grants and Loans	---	1,304,752	---	---	---	720,000	---
State Grants	---	75,077	---	---	---	---	---
Private Gifts and Grants	1,800	40,653	---	---	---	---	---
Restricted Student Fees	---	---	---	---	---	46,946	---
Other Income	500,153	57,361	---	1,568	90,482	---	---
Interim Note Proceeds	---	---	---	---	438,718	---	---
Note Proceeds	---	---	---	---	---	80,000	---
Sales and Services of Auxiliary Enterprises	---	---	---	---	---	---	---
Expended for Plant Facilities	---	---	548,327	---	---	---	608,359
Retirement of Indebtedness	---	---	---	---	---	---	857,564
<b>Total Revenue and Other Additions</b>	<b>3,070,801</b>	<b>1,498,759</b>	<b>548,327</b>	<b>1,568</b>	<b>529,200</b>	<b>846,946</b>	<b>1,465,923</b>
<b>EXPENSES AND OTHER DEDUCTIONS</b>							
Education and General Expenses							
Instruction	1,152,238	176,059	---	---	3,752	---	---
Public Service	35,087	---	---	---	---	---	---
Academic Support	261,255	497,578	---	---	---	---	---
Student Services	766,714	846,889	---	---	---	---	---
Institutional Support	378,439	---	---	---	---	---	---
Scholarships and Fellowships	164,489	---	---	---	---	---	---
Operation and Maintenance of Plant	300,712	---	---	---	---	---	---
Auxiliary Enterprise Expenses	---	---	555,550	---	---	---	---
Loan Collection Expense	---	---	12,619	561	---	41,160	---
Retirement of Indebtedness	---	---	---	---	---	2,217	---
Closing Costs	---	---	---	---	---	---	---
Proceeds from Indebtedness	---	---	---	---	---	---	1,311,808
Repayment of Interim Financing	---	---	---	---	---	793,090	---
Expended for Plant Facilities	---	---	---	---	503,133	---	---
Interest on Indebtedness	---	---	33,797	---	11,465	8,032	---
<b>Total Expenses and Other Deductions</b>	<b>3,058,934</b>	<b>1,520,526</b>	<b>601,966</b>	<b>561</b>	<b>518,350</b>	<b>844,499</b>	<b>1,311,808</b>
<b>Nonmandatory Transfers Between Funds</b>	<b>(10,628)</b>	<b>(77)</b>	<b>10,000</b>	<b>---</b>	<b>705</b>	<b>---</b>	<b>---</b>
<b>Net Increase (Decrease) in Fund Balance</b>	<b>1,239</b>	<b>(21,844)</b>	<b>(43,639)</b>	<b>1,007</b>	<b>11,555</b>	<b>2,447</b>	<b>154,115</b>
<b>Fund Balance, Beginning of Year</b>	<b>(24,164)</b>	<b>28,612</b>	<b>30,450</b>	<b>83,104</b>	<b>(11,555)</b>	<b>25,056</b>	<b>5,893,970</b>
<b>Fund Balances, End of Year</b>	<b>\$ (22,925)</b>	<b>\$ 6,768</b>	<b>\$ (13,189)</b>	<b>\$ 84,111</b>	<b>\$ ---</b>	<b>\$ 27,503</b>	<b>\$ 6,048,085</b>

See notes to the financial statements.



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1998**

	CURRENT FUNDS		Total
	Unrestricted	Restricted	
<b>Revenues</b>			
Tuition and Fees	\$ 643,710	\$ 2,675	646,385
State Appropriations	1,183,450	1,400	1,184,850
Institution Contributions	741,688	16,841	758,529
Federal Grants and Contracts	---	1,304,752	1,304,752
State Grants and Contracts	---	75,077	75,077
Private Gifts, Grants, and Contracts	1,800	40,653	42,453
Sales and Services of Auxiliary Enterprises	548,327	---	548,327
Other Sources	500,153	57,361	557,514
Total Current Revenues	<u>3,619,128</u>	<u>1,498,759</u>	<u>5,117,887</u>
<b>Expenditures and Mandatory Transfers</b>			
Education and General			
Instruction	1,152,238	176,059	1,328,297
Public Service	35,087	---	35,087
Academic Support	261,255	497,578	758,833
Student Services	766,714	846,889	1,613,603
Institutional Support	378,439	---	378,439
Scholarships and Fellowships	164,489	---	164,489
Operation and Maintenance of Plant	300,712	---	300,712
Total Educational and General Expenditures	<u>3,058,934</u>	<u>1,520,526</u>	<u>4,579,460</u>
<b>Auxiliary Enterprises</b>			
Expenditures	<u>601,966</u>	<u>---</u>	<u>601,966</u>
Total Expenditures and Mandatory Transfers	3,660,900	1,520,526	5,181,426
<b>Other Transfers and Additions/(Deductions)</b>	<u>(628)</u>	<u>(77)</u>	<u>(705)</u>
Net (Decrease) in Fund Balance	\$ <u>(42,400)</u>	\$ <u>(21,844)</u>	<u>(64,244)</u>

See notes to the financial statements.



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1998**

**CASH FLOWS FROM OPERATING ACTIVITIES**

(Decrease) in Fund Balance	\$	(43,639)
----------------------------	----	----------

**Changes in assets and liabilities**

(Increase) Decrease in Accounts Receivable		2,103
(Increase) Decrease in Inventory		(1,158)
(Increase) Decrease in Assets Held For Sale		51,101
Increase (Decrease) in Accounts Payable		5,613
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		14,020

Net Increase in Cash and Cash Equivalents		14,020
---	--	--------

Cash and Cash Equivalents, Beginning of Year		(75,385)
--	--	----------

Cash and Cash Equivalents, End of Year	\$	(61,365)
--	----	----------

Reconciliation to the Balance Sheet

Auxiliary Funds:

Cash on Hand and in Bank	\$	5,140
Cash on Deposit with County Treasurer		(68,099)
Reserve for FHA Loan		1,594
	\$	(61,365)

See notes to the financial statements.





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997 AND 1998**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Miles Community College, a Community College District (the College), is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management, which is responsible for their integrity and objectivity.

**Reporting Entity**

Miles Community College is a community college district which has received full accreditation by the Northwest Association of Schools and Colleges.

The College, for financial purposes, includes all funds, account groups, organizations and boards for which the College is financially accountable. Financial accountability is defined as the appointment of a majority of the governing body, and by the imposition of will or the potential for financial benefit or burden.

**Financial Statements**

The accompanying financial statements have been prepared following the standards of accounting and reporting as described by National College and University Business Officers (NACUBO). In accordance with GASB No. 15, "Governmental College and University Accounting and Reporting Models", the University has adopted the American Institute of Certified Public Accountants' (AICPA) "College Guide Model" for presentation of its financial statements.

The statement of current fund revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period.

Unrestricted Fund Balance - Fund Balance not subject to donor-imposed conditions.

Temporarily Restricted Fund Balance - Fund Balance subject to donor-imposed conditions that are to be met by the College's actions and/or by the passage of time. The beginning Fund Balance includes the restricted current fund and student loan ending fund balances, as reported in prior financial statements.

Permanently Restricted Fund Balance - Fund Balance subject to donor-imposed conditions requiring the Fund Balance to be maintained permanently by the College. In general, the donors of these types of assets permit the College to use all or part of the income earned on the related investments for general or specific purposes. The College had no permanently restricted net assets as of June 30, 1997 and 1998.

**Fund Accounting**

The accompanying financial statements of the College are prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities.





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997 AND 1998**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The accounts of the College are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions upon their use. Separate accounts are maintained for each fund; however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements. The common characteristics of the funds contained in the various fund groups are as follows:

**Current Funds**

Current funds include unrestricted funds allocated to specific purposes by action of the Board of Trustees and funds restricted by outside sources. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds. Current unrestricted funds include general operating, designated and auxiliary services. Other funds used are the loan fund for student loans, the plant funds for recording investment in College property, and the agency fund for recording assets held by the College as custodian or fiscal agent for others.

**Auxiliary Funds**

Auxiliary Funds are unrestricted funds used to account for operations (a) which are financed and separated in a manner similar to a private business enterprise where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The funds included in this classification are the Bookstore, the Cafeteria, the Centra, the Big Sky Dorm and the Building Technology Program.

**Student Loan Funds**

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by private and college sources with the majority of the funds being provided by the federal government.

**Plant Funds**

These funds are separated into three self-balancing subgroups:

Renewal and Replacement - utilized for maintenance of institutional assets.

Retirement of Indebtedness - utilized for debt servicing and retirement of indebtedness.

Investment in Plant - denotes the cost on long-term institutional assets and related liabilities and equity.

**Inventories**

Inventories consist mainly of bookstore supplies and are valued at cost on the first-in, first-out method.



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997 AND 1998**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets Held For Sale**

Assets held for sale consist of the houses being built for resale by the building technology program. The assets are booked in the amount of the expenses incurred to construct the house.

**Cash and Cash Equivalents**

The College considers all investments to be highly liquid, and, therefore, cash equivalents.

**Investments**

Substantially all cash of the College is administered through the Custer County Treasurer's office. The college entered into an agreement with Custer County to have cash on deposit invested by the County Treasurer. Under the agreement, the cash and investment pool may include cash and cash items; demand, time, savings and fiscal agent deposits; investments in the State Short-Term Investment Pool (STIP); obligations of the United States Government and securities issued by agencies of the United States Government; repurchase agreements, and registered warrants.

The STIP portfolio includes asset-backed securities, banker's acceptances, certificates of deposit, commercial paper, corporate and government securities, repurchase agreements and variable-rate instruments. The STIP unit value is fixed at \$1.00. STIP investments are in Risk Category 1 which includes investments that are insured or registered, securities held by the State or its agent in the State's name. The cost and market value of the investments at June 30, 1997 and 1998 were approximately equal.

The College's agreement with the County requires the County to make the distributions of interest income to Miles Community College monthly, based on the end of the month cash balances of the college. The College is required to pay an administrative fee to the County in the amount of three percent of the interest income received.

**Plant and Equipment**

Public domain general fixed assets ("infrastructure") consisting of roads, parking lots, curbs, and gutters, sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

All purchased fixed assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Assets in the plant fund are not depreciated.

**Income Tax Status**

The College is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997 AND 1998**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Services**

The value of donated services are not recognized, since the types of services rendered do not create or enhance the College's non-financial assets, nor do they require specialized skills.

**NOTE B - LOCAL APPROPRIATIONS**

All property taxes are collected by the Treasurer of Custer County, Montana. Property tax revenue is recognized when it is received. Property taxes attach as an enforceable lien on property as of January 1st and are levied on the 2nd Monday in August. They are due in two equal installments on November 30th, and May 31st, following the levy date.

The tax levies for the College for the year ended June 30, 1997 were as follows:

	Number of Mills		Value of One Mill		Value
Mandatory County Levy	38.35	\$	16,587	\$	636,111
Adult Education Levy	1.00		16,587		16,587
Total	39.35			\$	652,698

The breakdown of tax levies for the year ended June 30, 1998 were as follows:

	Number of Mills		Value of One Mill		Value
Mandatory County Levy	39.38	\$	16,650	\$	655,677
Voted County Levy	5.00		16,650		83,250
Adult Education Levy	1.00		16,650		16,650
Total	45.38			\$	755,577

**NOTE C - CASH AND INVESTMENTS**

Cash and Investments are held by the Custer County Treasurer. The Board of Trustees may invest money of the College in Obligations of the United States Government, saving or time deposits in a state or national bank, building or loan association, saving and loan association, credit unions insured by the FDIC, FSLIC, or NCUA located in the state, a repurchase agreement, or under the state unified investment program.

Cash and Investments as of June 30, 1997:

	Book Value	Bank Value		Carrying Value	Fair Value	Unrealized Gain(Loss)
Cash on Hand	\$ 8,010	\$ ---				
Cash in Bank	2,472	2,472				
	\$ 10,482	\$ 2,472				
Invested in County Investment Pool	\$ 14,117	\$ 11,259	\$			(2,858)



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997 AND 1998**

**NOTE C - CASH AND INVESTMENTS (CONTINUED)**

Cash and Investments as of June 30, 1998:

	Book Value	Bank Value	
Cash on Hand	\$ 11,515	\$ ---	
Cash in Bank	4,124	4,124	
Reserve for FHA Loan	1,594	1,594	
	<u>\$ 17,233</u>	<u>\$ 5,718</u>	
	Carrying Value	Fair Value	Unrealized Gain(Loss)
Invested in County Investment Pool	\$ 95,633	\$ 94,781	\$ (852)

The Custer County Commissioners require 50% security on money held by the Custer County Treasurer. The County government is considered to have \$100,000 FDIC insurance for demand deposits in each bank, and \$100,000 FDIC insurance for time and savings deposits in each bank. This includes Miles Community College, since the College's cash and investments are in the County's name.

**NOTE D - PROPERTY, PLANT, AND EQUIPMENT**

A summary of the changes in Property, Plant, and Equipment as of June 30, 1997 is as follows:

	Balance 6/30/96	Current Additions	Current Deletions	Balance 6/30/97
Land	\$ 204,298	\$ 8,750	\$ 1,000	\$ 212,048
Buildings	3,859,619	447,441	---	4,307,060
Equipment	1,252,365	499,741	---	1,752,106
Library Inventory	348,422	---	---	348,422
	<u>\$ 5,664,704</u>	<u>\$ 955,932</u>	<u>\$ 1,000</u>	<u>\$ 6,619,636</u>

A summary of the changes in Property, Plant, and Equipment as of June 30, 1998 is as follows:

	Balance 6/30/97	Current Additions	Current Deletions	Balance 6/30/98
Land	\$ 212,048	\$ ---	\$ ---	\$ 212,048
Buildings	4,307,060	463,713	---	4,770,773
Equipment	1,752,106	186,767	42,121	1,896,752
Library inventory	348,422	---	---	348,422
	<u>\$ 6,619,636</u>	<u>\$ 650,480</u>	<u>\$ 42,121</u>	<u>\$ 7,227,995</u>





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997 AND 1998**

**NOTE E - MORTGAGES PAYABLE**

Mortgages payable consists of a mortgage payable to Miles Community College Endowment and a mortgage payable to the Department of Housing and Urban Development. Changes in mortgages payable during 1995 were as follows:

	Balance 6-30-96	Debt Issued	Principal Payment	Balance 6-30-97
Miles Community College Endowment	\$ 362,505	\$ ---	\$ 53,221	\$ 309,284
MidRivers Telephone Company	---	22,300	---	22,300
First Bank - Interim	---	281,282	---	281,282
Department of Housing and Urban Development	118,600	---	5,800	112,800
	<u>\$ 481,105</u>	<u>\$ 303,582</u>	<u>\$ 59,021</u>	<u>\$ 725,666</u>

Changes in mortgages payable during 1998 were as follows:

	Balance 6-30-97	Debt Issued	Principal Payment	Balance 6-30-98
Miles Community College Endowment	\$ 309,284	\$ ---	\$ 35,160	\$ 274,124
MidRivers Telephone Company	22,300	---	10,696	11,604
Stockman Bank	---	400,000	6,600	393,400
First Bank - Interim	281,282	511,808	793,090	---
USDA Rural Development	---	400,000	6,018	393,982
Department of Housing and Urban Development	112,800	---	6,000	106,800
	<u>\$ 725,666</u>	<u>\$ 1,311,808</u>	<u>\$ 857,564</u>	<u>\$ 1,179,910</u>

The mortgage payable to the Department of Housing and Urban Development was in the original amount of \$205,541 and will be paid off on July 1, 2012. This mortgage is payable in semi-annual installments on January 1st and July 1st of each year. Interest is payable at 3% per annum. There is no security for this loan.

The mortgage payable to Miles Community College Endowment was in the original amount of \$458,299. There is no interest payable on this note. This note is being repaid from 1/3 of the student building fees collected, until such time as the deficit in the Building Repayment Fund has been eliminated. Once the deficit has been eliminated, the entire amount of the student building fees will be paid to Miles Community College Endowment.

The note payable to MidRivers Telephone Cooperative was in the original amount of \$34,891. This note bears interest at 8.5% per annum, and will be paid off on November 1, 1998. Annual payments on this note of \$12,591 are due on November 1 each year.

The note payable to First Bank Montana was advanced in two payments totaling \$640,784. This note was for interim financing for the construction of the new dorm. The note bears interest at 9.5% per annum, and was paid off when the permanent financing was secured.

The mortgage payable to Stockman Bank of Montana was in the original amount of \$400,000. This mortgage is payable in monthly installments of \$3,387 on the 23rd day of each month. This mortgage bears interest at a variable rate, not less than 7.16% per annum nor more than 11.16% per annum. The interest rate as of June 30, 1998 was 8.16% per annum. This mortgage is secured by two tracts of land. Final payment on this mortgage is due on September 23, 2017.



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997 AND 1998**

**NOTE E - MORTGAGES PAYABLE (CONTINUED)**

The mortgage payable to the USDA Rural Development was in the original amount of \$400,000. This mortgage is payable in semi-annual installments of \$15,936 due on March 23rd and September 23rd of each year. This mortgage bears interest at 5.0% per annum. Final payment on this note is due on September 23, 2017.

Mortgages payable maturities are as follows:

Year	Principal
1999	\$ 68,192
2000	58,857
2001	61,160
2002	63,512
2003	65,900
2004-2012	862,289
Total	\$ <u>1,179,910</u>

**NOTE F - COMPENSATED ABSENCES PAYABLE**

Compensated absences payable, which represent vacation and sick leave earned by employees that is payable upon termination, were as follows:

June 30, 1997:

	Balance 6-30-96	(Decrease)	Balance 6-30-97
Vacation and Sick Leave	\$ <u>158,180</u>	\$ <u>(17,855)</u>	\$ <u>140,325</u>

June 30, 1998:

	Balance 6-30-97	Increase	Balance 6-30-98
Vacation and Sick Leave	\$ <u>140,325</u>	\$ <u>2,809</u>	\$ <u>143,134</u>
Restricted Vacation and Sick Leave	---	<u>20,500</u>	<u>20,500</u>
Total	\$ <u>140,325</u>	\$ <u>23,309</u>	\$ <u>163,634</u>

**NOTE G - RETIREMENT PLANS**

The College participated in two, multiple employer, cost-sharing retirement plans which cover all employees, except some substitute and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, including the president and deans of the college, and the Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. The reports for the Teachers' Retirement System can be obtained at P.O. Box 200139, 1500 Sixth Ave., Helena, MT 59620-0139. The reports for the Public Employees Retirement System can be obtained at P.O. Box 200131, 1712 Ninth Ave., Helena, MT 59620-131.





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997 AND 1998**

**NOTE G - RETIREMENT PLANS (CONTINUED)**

Contribution rates, expressed as a percentage of covered payroll, which are determined by State law and were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TRS	7.47%	7.044%	14.514%
PERS	6.70%	6.80%	13.50%

The amounts contributed by both the employees and the College for the prior three years ended June 30, were as follows:

	1998	1997	1996
TRS	\$ 165,729	\$ 193,258	\$ 178,066
PERS	77,029	75,166	67,426
Total	\$ <u>242,758</u>	\$ <u>268,424</u>	\$ <u>245,492</u>

**NOTE H - CONTINGENT LIABILITY**

The Montana Supreme Court ruled in Rippey that community college faculty are state employees for purposes of entitlement to payment for accumulated sick leave. Pursuant to this decision, Miles Community College made a payoff of sick leave accumulated since 1971 to President Flower in 1995.

Other employees at the College may also be eligible for this sick leave payoff in excess of their sick leave accrual. This payment is estimated by College management to be \$34,967. This amount has not been accrued on the balance sheet.

A bodily injury claim has been made to the College's insurance company, and no amount of damages has been declared. There has been no civil action taken on this claim as of the date of our report. In any event, management does not anticipate that any settlement on this claim would exceed the limits of the College's insurance coverage.

**NOTE I - RELATED PARTY TRANSACTIONS**

The Board of Trustees of Miles Community College signed a note payable to Miles Community College Endowment corporation, as described in Note E. Miles Community College Endowment Corporation is a separate corporation formed to promote Miles Community College.

A building owned by the college is subject to a lien. The party that donated the building is making the payment that will end in 2005.

**NOTE J - PRIOR PERIOD ADJUSTMENT**

The prior period adjustment is to correct the balance in Taxes Receivable and to set up an allowance for uncollectible taxes.





Supplementary Information  
for  
The Journal of the  
American Statistical Association

SUPPLEMENTARY INFORMATION



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 1997**

**SCHEDULE OF STUDENT FINANCIAL AID  
MODIFIED STATEMENT  
OF CASH RECEIPTS AND DISBURSEMENTS**

	PELL	PERKINS	CWS	SEOG
Beginning Cash Balance	\$ 273	\$ 2,181	\$ 18	\$ ---
Additions:				
Federal Advances	663,794	---	22,607	27,741
State Matching Funds	---	---	9,066	9,247
Interest Collected	---	1,025	---	---
Interest Investments	---	85	---	---
Principal Collected	---	11,003	---	---
Total Additions	663,794	12,113	31,673	36,988
Deductions:				
Distribution to Students	663,794	10,500	29,733	36,988
Administrative Expenses	---	3,885	---	---
Total Deductions	663,794	14,385	29,733	36,988
Net Change in Cash	---	(2,272)	1,940	---
Ending Cash Balance	\$ 273	\$ (91)	\$ 1,958	\$ ---



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 1998**

**SCHEDULE OF STUDENT FINANCIAL AID  
MODIFIED STATEMENT  
OF CASH RECEIPTS AND DISBURSEMENTS**

	PELL	PERKINS	CWS	SEOG
Beginning Cash Balance	\$ 273	\$ (91)	\$ 1,958	\$ ---
Additions:				
Federal Advances	693,358	---	40,373	27,772
State Matching Funds	---	---	---	9,257
Institution Matching Funds		---	7,143	171
Interest Collected	---	1,043	---	---
Interest Investments	---	73	---	---
Principal Collected	---	7,883	---	---
Total Additions	693,358	8,999	47,516	37,200
Deductions:				
Distribution to Students	695,974	7,250	51,024	37,200
Administrative Expenses	---	---	---	---
Total Deductions	695,974	7,250	51,024	37,200
Net Change in Cash	(2,616)	1,749	(3,508)	---
Ending Cash Balance	\$ (2,343)	\$ 1,658	\$ (1,550)	\$ ---





MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 1997 AND 1998

SCHEDULE OF EXPENDITURES  
STUDENT FINANCIAL ASSISTANCE PROGRAMS

	1997	1998
Perkins Loan Program		
Student Loan Advances	\$ 10,500	\$ 7,250
Administrative Cost	3,885	---
	\$ <u>14,385</u>	\$ <u>7,250</u>
College Work Study		
Wages	\$ <u>29,733</u>	\$ <u>51,024</u>
Supplemental Education Opportunity Grant Program		
Student Grants	\$ <u>36,988</u>	\$ <u>37,200</u>
Pell Grant Program		
Student Grants	\$ <u>663,794</u>	\$ <u>695,974</u>



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 1997 AND 1998**

**SCHEDULE OF ENROLLMENT STATISTICS**

<u>SEMESTER</u>	<u>FULL-TIME EQUIVALENT</u>
Summer Semester 1996	53.6
Fall Semester 1996	514.8
Spring Semester 1997	505.7
Summer Semester 1997	44.5
Fall Semester 1997	522.8
Spring Semester 1998	484.5



**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1997**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award	Beginning Balance 07/01/96	Federal Sources	State Match	Local Match	Expended	Ending Balance 06/30/97
<b>MAJOR PROGRAMS:</b>									
U.S. Department of Education									
Direct Programs:									
Supplemental Educational Opportunity Grant Program	84.007	P007A42421	\$ 27,741	\$ ---	\$ 27,741	\$ 9,247	\$ ---	\$ 36,988	\$ ---
College Work Study	84.033	P033A42421	22,607	---	22,607	20,607	17,898	59,659	1,453
Pell Grant Program	84.063	P063P43851	663,794	---	663,794	---	---	663,794	---
			714,142	---	714,142	29,854	17,898	760,441	1,453
U.S. Department of Agriculture									
Direct Programs:									
Distance Learning Grant	10.855	MT706-A16	324,827	---	324,827	131,799	---	456,626	---
Total Major Programs			1,038,969	---	1,038,969	161,653	17,898	1,217,067	1,453
<b>NON-MAJOR PROGRAMS:</b>									
U.S. Department of Education									
Passed-Through Office of the Commissioner of Higher Education:									
Self Esteem	84.048	97SP006	34,235	---	32,503	---	---	32,503	---
Computer Literacy	84.048	97GE003	11,015	---	10,649	---	---	10,649	---
Carl D. Perkins Vocational Act	84.048	MCLA:96-97	63,936	---	63,936	---	---	63,936	---
			109,186	---	107,088	---	---	107,088	---
Direct Programs:									
Fund for Improvement of Postsecondary Education	84.116	P183A60110	56,199	---	4,943	---	---	4,943	---
Pass-Through Montana Guaranteed Student Loan Program:									
State Student Incentive Grant Program	84.069	SSIGA97	6,536	---	1,888	9,738	---	11,626	---
Passed-Through Montana Office of Public Instruction:									
Adult Basic Education	84.002	97-56-5803-120	30,066	---	30,066	8,750	17,205	56,021	---
U.S. Department of Health & Human Services									
Passed-Through Department of Social and Rehabilitation Services:									
Jobs	93.561	97-012-28004-0	120,200	---	109,276	---	9,600	118,876	---
Jobs - ABE	93.558	97-53-5803-237	4,456	---	3,935	1,646	---	5,581	---
U.S. Department of Labor									
Pass-Through Department of Labor and Industry:									
BOS IIA Displaced Homemaker	17.246	97023(A)	51,410	---	51,345	---	---	51,345	---
Nontraditional Training for Women Act	17.700	5192W	24,500	2,966	136	---	---	3,102	---
Title IIA Adult 5% Incentive	17.250	97023(A)	38,583	---	38,500	---	---	38,500	---
National Endowment for the Arts									
Pass-Through Montana Arts Council: Promotion of the Arts	45.007	05-3759-6	1,000	1,000	---	---	---	1,000	---
Corporation for National and Community Service									
Direct Programs:									
Retired Senior Volunteer Program	72.002	340P063/15	26,683	---	26,683	---	---	26,683	---
TOTAL FOR ALL FEDERAL AWARDS PROGRAMS			\$ 1,507,788	\$ 3,966	\$ 1,412,829	\$ 181,787	\$ 44,703	\$ 1,641,832	\$ 1,453





**MILES COMMUNITY COLLEGE  
MILES CITY, MONTANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1998**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award	Beginning Balance 07/01/97	Federal Sources	State Match	Local Match	Expended	Ending Balance 06/30/98
<b>MAJOR PROGRAMS:</b>									
U.S. Department of Education									
Direct Programs:									
Supplemental Educational Opportunity Grant Program	84.007	P007A72421	\$ 27,772	\$ ---	\$ 27,772	\$ 9,257	\$ 171	\$ 37,200	\$ ---
College Work Study	84.033	P033A72421	40,373	1,453	40,373	22,000	18,380	82,206	---
Pell Grant Program	84.063	P063P73851	692,683	---	692,683	---	---	692,683	---
			760,828	1,453	760,828	31,257	18,551	812,089	---
U.S. Department of Agriculture									
Direct Programs:									
Community Facilities Loans	10.766	31-017-816000208	720,000	---	720,000	---	80,000	800,000	---
Total Major Programs			1,480,828	1,453	1,480,828	31,257	98,551	1,612,089	---
<b>NON-MAJOR PROGRAMS:</b>									
U.S. Department of Education									
Passed-Through Office of the Commissioner of Higher Education:									
Self Esteem	84.048	98SP001	34,860	---	31,015	---	---	31,015	---
Gender Equity Mini-Grant	84.048	98-GE008	500	---	500	---	---	500	---
Carl D. Perkins Vocational Act	84.048	MCLA:97-98	118,258	---	118,258	---	---	118,258	---
			153,618	---	149,773	---	---	149,773	---
Direct Programs:									
Fund for Improvement of Postsecondary Education	84.116	P183A60110	56,199	---	14,019	---	444	14,463	---
Pass-Through Montana Guaranteed Student Loan Program:									
State Student Incentive Grant Program	84.069	SSIGA97	10,150	---	2,928	7,123	99	10,150	---
Passed-Through Montana Office of Public Instruction:									
Adult Basic Education	84.002	98-56-5803-120	30,847	---	30,847	8,750	16,010	55,607	---
U.S. Department of Health & Human Services									
Passed-Through Department of Social and Rehabilitation Services:									
Jobs	93.561	98-012-28007-0	197,900	---	175,865	---	---	175,865	---
Jobs - WoRC	93.558	98-53-5803-237	4,456	---	4,456	---	---	4,456	---
U.S. Department of Labor									
Pass-Through Department of Labor and Industry:									
BOS IIA Displaced Homemaker	17.246	97023(A)	68,449	---	65,706	---	---	65,706	---
Title IIA Adult 5% Incentive	17.250	97023(A)	60,558	---	58,692	---	---	58,692	---
Job Training Partnership Act 8%	17.250	98-80-5803-DS26	14,123	---	14,123	---	14,123	28,246	---
			74,681	---	72,815	---	14,123	86,938	---
Corporation for National and Community Service									
Direct Programs:									
Retired Senior Volunteer Program	72.002	340P063/16	27,516	---	27,516	---	---	27,516	---
TOTAL FOR ALL FEDERAL AWARDS PROGRAMS			\$ 2,104,644	\$ 1,453	\$ 2,024,753	\$ 47,130	\$ 129,227	\$ 2,202,563	\$ ---





**CHMS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Legislative Audit Committee  
of the Montana State Legislature

We have audited the financial statements of Miles Community College as of and for the years ended June 30, 1997 and 1998 and have issued our report thereon dated September 4, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Miles Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Miles Community College in the accompanying schedule of findings on pages 33-35.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Miles Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Miles Community College's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings on pages 33-35.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material





weaknesses. However, we believe none of the reportable conditions described in the accompanying schedule of findings is a material weakness.

This report is intended for the information of Miles Community College's management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

CHMS PC  
CHMS, P.C.  
Certified Public Accountants

September 4, 1998







**CHMS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Legislative Audit Committee  
of the Montana State Legislature

Compliance

We have audited compliance of Miles Community College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 1997 and 1998. Miles Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Miles Community College's management. Our responsibility is to express an opinion on the Miles Community College's compliance based on our audit.

We conducted our audit of compliance in accordance the generally accepted auditing standards; the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Miles Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Miles Community College's compliance with those requirements.

In our opinion, Miles Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 1997 and 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings on pages 33-35.



### Internal Control Over Compliance

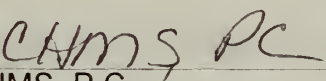
The management of Miles Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Miles Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Miles Community College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings on pages 33-35.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described in the accompanying schedule of findings is a material weakness.

This report is intended for the information of Miles Community College's management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

  
CHMS, P.C.  
Certified Public Accountants

September 4, 1998





**MILES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS  
YEARS ENDED JUNE 30, 1997 AND 1998**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:..... Unqualified

Internal control over financial reporting:

Material weakness identified?..... No

Reportable conditions identified not considered  
to be material weaknesses?..... Yes

Noncompliance material to financial statements noted?..... No

**Federal Awards**

Internal control over major programs:

Material weakness identified?..... No

Reportable conditions identified not considered  
to be material weaknesses?..... Yes

Type of auditor's report issued on compliance  
for major programs:..... Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with Circular A-133, Section .510(a)?..... No

Identification of major programs:

<u>CFDA Number</u>	<u>Award Year</u>	<u>Name of Federal Program</u>
N/A	96-97 & 97-98	Student Financial Assistance Programs Cluster
10.766	97-98	Community Facilities Loans
10.855	96-97	Distance Learning Grant

Dollar threshold used to distinguish between  
Type A and Type B programs:..... \$300,000

Auditee qualified as low-risk auditee?..... Yes



**MILES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS (CONTINUED)  
YEARS ENDED JUNE 30, 1997 AND 1998**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING #1 - SEGREGATION OF DUTIES**

Due to the small size of the entity, there is an absence of segregation of duties appropriate for a strong system of internal control. The College has implemented compensating controls to the extent practical, and we are not recommending further action at this time. However, we believe the Trustees should be aware that the condition results in a greater risk of errors occurring and not being detected within a timely manner, than would be the case if duties were appropriately segregated.

**Recommendation**

No further action required at this time.

**FINDING #2 - NON-BUDGETED FUNDS EXPENDITURE LIMITATIONS**

The college has a number of individual non-budgeted funds with deficit cash balances. According to Section 20-9-210, M.C.A., the expenditures for a non-budgeted fund is limited to the cash balance. There is no definition for non-budgeted funds of community colleges in the Montana Code Annotated.

**Recommendation**

The college should request an attorney general opinion on whether this law is applicable to community colleges. If in fact this law does apply to community colleges, a request for a clear definition relating to non-budgeted funds for a community college should be made. For those funds defined as non-budgeted funds, expenditures should be limited to the amount of cash available.

**FINDING #3 - SALE OF PROPERTY**

The resolution required by Section 20-6-604, M.C.A., relating to procedures required for the sale of property was not adhered to. A public notice was given, but an official resolution was never documented.

**Recommendation**

The college should follow the requirements of Section 20-6-604, M.C.A., any time property is being sold. This requires that a notice be given of the resolution in the manner required by Section 20-20-204, M.C.A., and the resolution should contain a statement that the property is, or is about to become abandoned, obsolete, undesirable, or unsuitable for the purpose of the college. The resolution does not become effective until 14 days after the notice is published in a newspaper of general circulation, during which time any taxpayer may appeal the resolution.





**MILES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS (CONTINUED)  
YEARS ENDED JUNE 30, 1997 AND 1998**

**PRIOR YEARS' RECOMMENDATIONS**

A summary of the recommendations from fiscal years June 30, 1995 and 1996 is as follows:

<u>Finding</u>	<u>Status</u>
Finding #1 - Segregation of Duties	N/A - See Finding #1
Finding #2 - NSL Program	Not Implemented - Finding #2
Finding #3 - Student Financial Aid Files	Implemented
Finding #4 - Political Activity Policy	Implemented
Finding #5 - Procurement Policy	Implemented
Finding #6 - Allowance for Delinquent Accounts	Implemented

**SECTION III - FINANCIAL STATEMENT FINDINGS**

**SEGREGATION OF DUTIES - SEE FINDING #1**

**FINDING #4 - NURSING STUDENT LOAN (NSL) PROGRAM DELINQUENCY**

The college is no longer making loans under the NSL program. However, the delinquency rate for the NSL program is still in excess of the 5% allowed by Health and Human Services Guidelines.

**Recommendation**

We recommend that the college continue its collection efforts.

**FINDING #5 - ACCOUNTING FOR MATCHING REQUIREMENTS**

The college has a number of federal grants that are accounted for in separate funds. Many of these grants have a matching requirement, and not all of the matching expenditures are accounted for in within the same fund as the federal grant. In-kind matching requirements have not been recorded in the financial statements as required by generally accepted accounting principles.

**Recommendation**

The college has met all of the matching requirements, however, for increased controls over the federal matching requirements. the college should record all in-kind matching amounts and record the expenditures used for matching in the same fund that the federal expenditures are recorded. Accounting for the federal grants and matching expenditures in the same fund will allow the federal financial reports to be reconciled more consistently to the general ledger.





"PATHWAY TO SUCCESS"

# **MILES COMMUNITY COLLEGE**

2715 DICKINSON ST. MILES CITY, MT 59301 (406) 232-3031 FAX (406) 233-3598  
PRESIDENT 233-3512 REGISTRAR 233-3522 BUSINESS MANAGER 233-3515



## RESPONSES TO FINANCIAL STATEMENT FINDINGS:

### **FINDING #1 – SEGREGATION OF DUTIES**

RESPONSE: This finding results from low staffing levels. The College is aware of the situation.

### **FINDING #2 – NON-BUDGETED FUNDS EXPENDITURE LIMITATIONS**

RESPONSE: We will request our local County Attorney to research this matter and then to request a definition as to what constitutes a 'non-budgeted fund' from the Attorney General's office. If, in fact, we do have non-budgeted funds we will make every effort to comply with the finding.

### **FINDING #3 – SALE OF PROPERTY**

RESPONSE: We will comply with the requirements of Section 20-6-604, M.C.A. when any property is disposed of in the future.

### **FINDING #4 – NURSING STUDENT LOAN (NSL) PROGRAM DELINQUENCY**

RESPONSE: We are continuing our collection efforts. Our current delinquency rate of 5.77% (10/31/98) represents \$5,585 of the \$96,677 amount loaned and 12 individuals of the total of 161 students who benefited from this program.

### **FINDING #5 – ACCOUNTING FOR MATCHING REQUIREMENTS**

RESPONSE: The College is taking steps to comply with this finding. We will be in compliance for the next audit.







